



Weatherby & Associates, PC
Counselors at Law

Helping Families Preserve and Protect Assets and Values

How You Can Get Help Paying For Alzheimer's Care

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Introduction

Will I have to spend all of my family's assets to pay for nursing home expenses? This is one of the biggest fears family members face when an aging loved one can no longer live alone because of a disease such as Alzheimer's. There are many strategies families can use to preserve assets while still ensuring loved ones get the quality care they need. Many families are unfamiliar with the qualification criteria for various government benefits that might be available to them and unsure of how to offset the costs of long-term care and avoid becoming impoverished due to nursing home costs. This guide will introduce you to different options for care and help you begin to find answers for the financial questions that go along with long-term care planning: What is affordable for our family? How long will our savings last? For what government benefits might our loved one qualify? Once you can begin to answer these questions, you will be able to start formulating a realistic plan for meeting the long-term care needs of your loved one without exhausting your family's assets.

How to Pay for Care

There are several sources you may be able to access to pay for long-term care services. Depending on your family's financial situation, you may use one or more of these sources when formulating a plan to finance your loved one's long-term care. When a loved one has already been diagnosed with Alzheimer's or another chronic disease, care needs may develop more rapidly than with the normal aging process and some planning options may no longer be available. However, there are still various funding options that can be explored even very late in the planning process. Three common funding sources are discussed below, and there may be other funding options for which your loved one qualifies.

Private Pay

Private pay is the second-largest source of long-term care spending (with Medicaid being the largest source). Private pay is when you use your own money to pay for services. These funds can come from retirement savings, such as IRAs, stocks, bonds, mutual funds, and savings or checking accounts. Funds can also come from retirement income sources like pensions and Social Security. Paying for long-term care entirely out of pocket can get very expensive and costs add up quickly, so many people will have to look to alternate sources of funding.

Long-Term Care Insurance

Long-term care insurance can be an excellent option for families who have planned ahead. However, the older an applicant is, the harder it is to obtain a policy and the more expensive the coverage will be. Additionally, once someone has been diagnosed with Alzheimer's it is generally too late to apply for this type of coverage. Therefore, this is not likely to be a viable avenue of funding for those families whose loved one has already been

diagnosed with a chronic disease such as Alzheimer's and may already need long-term care services. However, it is best to consult with a trusted advisor before ruling it out as an option.

Medicaid

Medicaid is a joint federal and state funded program that pays the cost of medical and long-term care services, usually in a nursing home setting. In order to qualify for Medicaid, you must meet strict financial eligibility requirements; asset and income guidelines vary by state (you apply for Medicaid in the state in which you are a resident). There are many rules regarding how you can spend or transfer your assets in order to qualify. Therefore, it is best to consult an advisor as early as possible in the planning process if you are considering Medicaid as a long-term care funding option for your loved one.

Medicare vs. Medicaid



Medicare and Medicaid are both government programs but, though they are often confused, each serves a different purpose. Medicare is a federal public health insurance program for those aged 65 and older. It is designed to cover physician services, hospitalizations, and short-term rehabilitative services. *Medicare does not pay for long-term care.*

Medicaid, on the other hand, is a joint federal and state program designed to pay for long-term care for those who meet the financial eligibility requirements. It is extremely important to understand the difference between Medicare and Medicaid when making long-term care decisions for a loved one. The chart below may help to clarify the differences between the two programs.

Medicare vs. Medicaid

	Medicare	Medicaid
Overview	Federal health insurance program for people who are: <ul style="list-style-type: none">• 65+• Under 65 with certain disabilities• Any age and have End Stage Renal Disease	A joint federal and state program that helps pay medical and long-term care costs for those with limited income and resources who are in one of the following eligibility categories: <ul style="list-style-type: none">• 65+• Blind• Disabled• Families with children
Administration	Medicare is administered and funded by the federal government and has uniform rules across the country.	Medicaid is jointly funded by the federal government and the states. It is administered by the states and rules differ in each state.
Eligibility Criteria	Available to all U.S. citizens over 65 who paid taxes into the Social Security fund, regardless of income.	Criteria vary from state to state, but beneficiaries must have income and assets below a certain level to qualify.
Costs	May require payment of significant deductibles and co-pays for certain services. You can purchase supplemental “Medi-gap” insurance that will cover all or part of these costs.	In some states, Medicaid may charge consumers small amounts for certain services, but costs are limited to nominal or minimal amounts. However, you may also be required to pay a significant portion of your income towards your care depending on your personal circumstances.

Medicaid Myths

Most families considering Medicaid as a long-term care funding option have heard many myths about the program and are unsure about the actual asset requirements needed to qualify. For example, many people believe you can give a certain amount of money to your children without penalty or that they can put their children's names on their bank accounts, or put money into a trust or annuity to protect their money from being counted as an asset on their Medicaid application. In most cases the information you have heard is incorrect or inapplicable to your family's situation.

There is an IRS rule allowing a person to make a gift of up to \$14,000 to each of his or her children that is excluded from any gift tax. However, this exclusion is limited to the IRS and has nothing at all to do with Medicaid eligibility. Gifts made to children can cause disqualification for Medicaid if made during the "look back" period even though they need not be reported to the IRS. The "look back" period is the amount of time prior to applying for Medicaid for which you will have to provide financial records and must comply with certain requirements or jeopardize Medicaid eligibility.

In Connecticut, all non-exempt transfers made within the five years prior to application may result in denial of eligibility for a period of time. Putting another person's name on your bank account will also fail to protect your money, because each state has a "source of funds" rule which looks at who put the money into the account when determining ownership of the funds. In addition, annuities or trusts may be used to protect some funds, but there is no magic solution for protecting funds and the rules for accomplishing this are very complex.

Giving large gifts to children can also have negative tax implications. For example, transferring a house to a child changes the property tax classification from owner-occupied to non-owner occupied, which may cause property taxes to go up. In addition, if the transfer of the house is not done properly the recipient maybe responsible for paying a large capital gains tax when the home is later sold. Structured properly the future sale will generally not generate any income tax.

Spend Down

In order to qualify for Medicaid, you must meet certain income and asset limits. Generally, a single or widowed person can keep only about \$2,000 in total assets, but this amount varies by state (in Connecticut it is \$1,600 for an individual and \$2,400 for a married couple if both spouses are receiving benefits). If you have done none of the planning the law allows you to do before there is a home care need or nursing home care is needed, any assets in excess of this amount must be "spent down" in order to qualify for benefits.

Some types of assets are considered “exempt” and will not be counted as resources available for payment, including:

- Home serving as the principal place of residence
- One automobile
- Term life insurance
- Whole life insurance with a face value not exceeding \$1,500
- Pre-paid funeral up to \$5,400
- Burial spaces and certain related items for applicant, spouse and immediate family members
- Household goods and personal belongings

There are strategies an applicant can use to help protect some of his or her assets that are not considered exempt. However, these strategies can be complicated and are not easy to do for yourself. Medicaid rules are very strict and very complex. If you slip up and violate an eligibility rule for Medicaid it may be very difficult or even impossible to fix the mistake.

Planning for a Spouse

If a Medicaid applicant is married with a spouse living at home, the state looks at the couple’s countable assets and divides them in half. The spouse living at home can generally keep one half of the couple’s combined assets (or a minimum of \$23,448) up to the maximum of \$117,240 in total non-exempt assets. Especially if the applicant is married, it is vital to see a lawyer about protecting assets to plan for a spouse still living at home, known as a “community spouse.” There are some ways to protect the community spouse from the complicated restrictions placed on them by the Medicaid program and to ensure that the spouse has an income stream that he or she is able to live on, without violating eligibility requirements.

Estate Recovery

Under Medicaid law, after the death of a Medicaid recipient who was age 55 or older when receiving benefits, a state must attempt to recover from his or her estate whatever benefits it paid for the recipient’s care. This process is called “estate recovery,” and it allows the state to seek reimbursement from your probate estate in order to cover amounts spent by Medicaid for long-term care and related drug and hospital benefits. Estate recovery may be deferred or waived if the Medicaid recipient is survived by a spouse, a child under the age of 21, or a child who is blind or permanently disabled. Although a person’s home is considered an exempt asset during the Medicaid recipient’s life, at death the exemption ends and the home will be subject to the estate recovery process. Medicaid rules regarding this issue have changed a number of times and are likely to change again in the future, but a knowledgeable advisor will be able to guide you through this process and inform you about potential strategies for avoiding Medicaid estate recovery of your home.

Planning for a Veteran

If your loved one requiring long-term care services is a veteran or the spouse of a veteran, he or she may qualify for a long-term care benefit referred to by the Veterans Administration as the VA Pension or Improved Pension Benefit (commonly known as the VA Aid and Attendance Benefit). This is a non-service-connected pension benefit. In order to qualify, the veteran must not have been dishonorably discharged, must have served at least 90 days active duty with at least one day served during a declared state of war, and must be either disabled or over age 65. Spouses or widows of veterans may also qualify for benefits.

Eligibility for the VA Improved Pension Benefit: Official Dates for Periods of War

Mexican Border	May 9, 1916 to April 5, 1917
Word War I	April 6, 1917 to November 11, 1918 April 1, 1920 if served in Russia
World War II	December 7, 1941 to December 31, 1946
Korean War	June 27, 1950 to January 31, 1955
Vietnam War	August 5, 1964 to May 7, 1975, or From February 28, 1961 to May 7, 1975 but only if you served in Republic of Vietnam
Persian Gulf War	August 2, 1990 to [date not yet determined]

The benefit is based on actual financial need, so there are income and asset limitations. However, the VA does not look at income simply as the amount of money you bring in each month. Instead, they calculate Income for VA Purposes (IVAP), which looks at gross income minus unreimbursed medical expenses (UMEs), which include medical expenses such as doctor's fees, Medicare premiums and co-pays, transportation costs to medical appointments, health insurance premiums, and costs of assisted living or home health care services.

IVAP = Gross Income – Unreimbursed Medical Expenses

Only certain authorized professionals can assist you in filing a claim for the VA Aid and Attendance Benefit: an attorney licensed to practice law in your state who is also accredited with the VA; a Veterans Service Organization (VSO), such as your local VFW or American Legion; or a state or county official of the Department of Veterans Affairs in your state. You are likely to need assistance in filing a claim for this benefit, because new VA rules can lead to complications and legal hurdles. For example, gifts may carry very short periods of ineligibility for VA benefits while causing long periods of ineligibility for Medicaid, and it is important to ensure gifts are made through proper transfers that will preserve eligibility for all of the potential government programs you may need to avoid gaps in health care coverage. However, it is unlawful to charge a fee for filing a VA application, so be careful of anyone offering assistance with this application for a fee.

It is estimated that nearly 2 million veterans or their widows are missing out on as much as \$22 billion a year in pension benefits. Only 1 in 7 widows of veterans who could probably qualify for this benefit actually receive monthly checks. This program can provide veterans and their spouses with up to \$25,022 per year, tax free, to pay for long-term care services.

What Now?

The information in this packet is meant to be an overview of some of the most common programs available to help finance long-term care for loved ones affected by Alzheimer's or another chronic disease. However, it is not a comprehensive list. Depending on your situation, different or additional funding options may be available. Everyone's situation is different and lawyers and financial advisors who specialize in long-term care planning and asset protection have learned to be creative in finding solutions that are tailored to their clients' specific needs. The sooner you start planning and apply for all possible benefits, the more options will be available to you, so if at all possible you should begin the planning process before a crisis occurs. However, even if you begin planning at a later stage than would be ideal, there are often still some options available that a competent attorney or financial advisor will be able to identify and help you to pursue.

All of this information may seem overwhelming. You aren't alone. It is a frightening feeling to find yourself unable to pay for care for yourself or a loved one – and many benefit programs can have complex and specific application requirements and limited or confusing coverage options. This is why one of the best ways to ensure you or your loved one has access to the best care is to find competent professional guidance. If you need help identifying lawyers and financial advisors who specialize in this type of work, you can look up attorneys in your area who are members of the National Academy of Elder Law Attorneys in their online directory at www.naela.org/findlawyer. You can also check out the Alzheimer's Association's community resource finder at www.communityresourcefinder.org.



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YOUR PARTNER IN CREATING A BETTER FUTURE

For over 20 years, the attorneys at Weatherby & Associates, PC have helped Connecticut families set goals and turn them into reality, creating a better, more secure future. From estate planning and asset protection strategies to business succession planning, administering probate estates and ensuring the best health care possible for loved ones in need, Weatherby & Associates, PC takes a close look at the unique needs of every individual, family or business to develop a truly individualized strategy that is sure to achieve their objectives.

YOUR FAMILY IS OUR FAMILY

We understand how important your family is to you, how well you want them to be cared for, and the important role your hard-earned assets or business play in the future of your family. As a firm, Weatherby & Associates, PC is committed to caring for your assets, business, health care needs and plans for the future as if they were our very own. Every step we take is designed to give you peace of mind and security, right down to our unique approach for ensuring your plan and documents stay current with our exclusive LifeBridge™ program.

Honoring parents and aging loved ones with the best of care and a home they can enjoy for the remainder of their days is a desire that simply comes naturally. Unfortunately, many families put off planning for the potential needs of aging members until illness or disability compels them to action, often forcing them to accept less than optimal solutions and burdening them with sudden financial strains they are not prepared for. Onset of illness or disability shouldn't mean surrendering to a lifestyle of dreary environments, loneliness and hardship. The Weatherby & Associates, PC Life Care Planning team can help with a wide variety of services and solutions to give your loved ones a better life in their aging years. Get started on a plan to ensure the best possible care and living opportunities for your parent or other aging loved one. Call our Life Care Planning attorneys today to schedule an initial consultation: 888-822-8778 (Toll Free)

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